

**CENTRAL ILLINOIS LIGHT COMPANY**  
**CALCULATION OF REVENUES AND EFFECTIVE TAX RATE**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**  
**WITH PRO FORMA ADJUSTMENTS**  
**(In Thousands)**

**CILCO WPC-1i**  
**Docket No. 01-**  
**Witness: M. J. Getz**  
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	<u>Electric Distribution</u>	<u>Pro Forma Adjustments</u>	<u>Change in Revenue Requirement</u>	<u>Change in Income taxes</u>	<u>Electric Distribution After Adjustments</u>
Operating Revenues	128,366	(19,176)	3,722		112,912
2. Operating Expenses:					
3.     Operations	26,180	2,862			29,042
4.     Maintenance	10,308	130			10,438
5.     Depreciation & Amortization	26,394	1,379			27,773
6.     Taxes Other Than Income Taxes	23,580	(19,176)			4,404
7.     Current Income Taxes	16,526			(257) **	16,269
8.     Deferred Income Taxes	(3,916)				(3,916)
9.     Investment Tax Credit	(548)				(548)
0. Total Operating Expenses	98,524	(14,805)		(257)	83,462
Operating Income	<u>29,842</u>	<u>(4,371)</u>	<u>3,722</u>	<u>257</u>	<u>29,450</u>

**\*\* Change in Income Taxes:**

Increase (Decrease) in Revenue requirement	3,722
Less Increase (Decrease) in Expenses	<u>4,371</u>
Net change in operating income	(649)
Times combined tax rate	<u>39.67%</u>
Adjustment to current income taxes	<u>(257)</u>

CENTRAL ILLINOIS LIGHT COMPANY

SUMMARY OF UTILITY PROPOSED ADJUSTMENTS TO OPERATING INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(In Thousands)

CILCO Schedule C-2  
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Line No.	Description	Unadjusted Jurisdictional Operating Income	Interest Synchronization	Remove Lobbying Expenses	Weather Normalization	Other Normalizations	Remove Non- Recurring Items	Remove Out-Of- Period Items	Page Subtotal of Pro Forma Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1.	Operating Revenues								
2.	Other Revenues								
3.	Total Operating Revenues								
4.	Operating Expenses								
5.	Operation Expenses	7,851							
6.	Maintenance Expenses	10,308							
7.	Customer Accounts Expenses	6,869							
8.	Customer Service and Informational Expenses	873							
9.	Sales Expenses	0							
10.	Administrative and General Expenses	10,587							
11.	Depreciation Expenses	23,995							
12.	Amortization Expenses	2,399							
13.	Taxes Other Than Income	23,580							
14.	Other	0							
15.	Total Operation Expenses	86,462							
16.	Income Taxes								
17.	State Income Taxes								
18.	Federal Income Taxes								
19.	Deferred Taxes								
20.	Tax Effect Oper Inc. Adj.								
21.	ITC's Net								
22.	Total Income Taxes								
23.	Net Utility Operating Income								

CENTRAL ILLINOIS LIGHT COMPANY

JURISDICTIONAL OPERATING STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(In Thousands)

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Line No.	Description	Page Subtotal of Pro Forma Adjustments (i)	Remove Add-On Taxes (j)	Interest on Customer Deposits (k)	Rate Case Expenses (l)	Remove PUA Sect. 9-225(2) Advertising (m)	Other Know and Measurable Pro Forma Adjustments (n)	Adjustments (o)	Subtotal of Pro Forma Adjustments (p)	Pro Forma Jurisdictional Operating Income (q)
1.	Operating Revenues									112,057
2.	Other Revenues									855
3.	Total Operating Revenues									112,912
4.	Operating Expenses									
5.	Operation Expenses						1,069		1,069	8,920
6.	Maintenance Expenses						130		130	10,438
7.	Customer Accounts Expenses						197		197	7,066
8.	Customer Service and Informational Expenses						500		500	1,373
9.	Sales Expenses							0	0	0
10.	Administrative and General Expenses				255		841		1,096	11,683
11.	Depreciation Expenses						1,094		1,094	25,089
12.	Amortization Expenses						285		285	2,684
13.	Taxes Other Than Income		(19,176)						(19,176)	4,404
14.	Other								0	0
15.	Total Operation Expenses	0	(19,176)	0	255	0	4,116	0		
16.	Income Taxes									
17.	State Income Taxes									2,962
18.	Federal Income Taxes									13,398
19.	Deferred Taxes									(3,916)
20.	Tax Effect Oper Inc. Adj.									(92)
21.	ITC's Net									(548)
22.	Total Income Taxes	0	0	0	0	0	0	0	0	11,804
23.	Net Utility Operating Income	0	19,176	0	(255)	0	(4,116)	0	14,805	29,451

Central Illinois Light Company  
Proforma Cost of Service Adjustments  
2000

CILCO Schedule C-2.1  
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Adj.*	ICC#	Adjustment Amount	Allocation Percentages *			Electric Supply	Electric Acct. Mgmt.	Gas	Allocated to Electric					Total Electric	Proforma Adj to Distr. Expenses
			Electric Transm.	Genco Generation	Electric Distribution				Electric Transm.	Electric Generation	Electric Distribution	Electric Supply	Electric Acct. Mgmt.		
(1) Postage Rate Increase	903	24,000			100%						24,000			24,000	24,000
(2) Storm Restoration Normalized Amount	593	130,000			100%						130,000			130,000	130,000
(3) Medical Costs	926	1,218,000	AF1	2%	32%	31%	2%	1%	32%	24,360	389,760	377,580	24,360	12,180	828,240
(4) Pension Costs	926	5,585,000	AF1	2%	32%	31%	2%	1%	32%	111,700	1,787,200	1,731,350	111,700	55,850	3,797,800
(5) Union payroll wage increase adjustment	580 - 598	695,150			100%						695,150			695,150	1,731,350
(6) IBEW VERP reduction	926	(4,093,000)	AF1	2%	32%	31%	2%	1%	32%	(81,860)	(1,309,760)	(1,268,830)	(81,860)	(40,930)	(2,783,240)
(7) Stock options (Cash value of stock options, 4% of base salary)	580 - 598	949,200		2%	32%	31%	2%	1%	32%	18,984	303,744	294,250	18,984	9,492	645,454
(8) Supplier Services Group	908	500,000			100%						500,000			500,000	294,250
(9) Minimum compliance costs associated with implementation of Residential Delivery Service	903	520,000			100%						520,000			520,000	500,000
(10) Annual depreciation on new distribution plant	403	1,094,260			100%						1,094,260			1,094,260	173,300
(11) Annual amortization on new information technology projects	404	284,760			100%						284,760			284,760	1,094,260
(12) Black Start Service		79,720			100%						79,720			79,720	284,760
Total Pro Forma adjustments		6,987,090							73,184	1,170,944	4,462,240	73,184	36,592	5,816,144	4,115,540

The compliance cost are being spread over 3 years for recovery, similar to rate case expenses.

**Central Illinois Light Company**  
**Description of Adjustments to Cost of Service**  
**To the Year Ended December 31, 2000**

**Adjustment #1                      Postage Rate Increase**

**Description of Adjustment:**    The postage rates for a 1 oz. First-class letter increased by \$.01 on January 1, 2001. CILCO mails an average of 2,398,512 bills a year. This results in an increase of \$24,000.

**Amount of Adjustment:**        \$24,000.

**Adjustment #2:                      Storm Restoration Normalized Amount**

**Description of Adjustment:**    CILCO experiences an extraordinary storm once every ten years on average. On 6/29/1998, CILCO experienced such a storm resulting in storm-related electric distribution maintenance expense of \$1,300,634. To normalize and recover these costs in the test year, a one-tenth adjustment of \$130,000 is included.

**Amount of Adjustment:**        \$130,000 (.10 x \$1,300,634)

**Adjustment #3                      Medical Costs**

**Description of Adjustment:**    CILCO's actual medical costs increased \$609,000 as of the period ending June 2001 over the same period in the 2000 test year. The medical costs for year-to-date June 2001 were \$2,757,000 compared to \$2,147,000 for year-to-date June 2000. Total medical claims for the year 2000 were \$4,320,000; which was approximately twice the year-to-date June amount indicating that claims occur fairly evenly throughout the year. Applying this to the year-to-date June variance produces an increase in annual medical claims of \$1,218,000. Of this amount, approximately 31% or \$377,580 was assigned to electric distribution based on total labor.

**Amount of Adjustment:**        Increase of \$377,580

**Adjustment #4                      Pension Costs**

**Description of Adjustment:** In 2000, total qualified and non-qualified pension income was \$5,585,000. Based on actuarial estimates received and on-going declines in the discount rate the total pension income for 2002 is projected to be \$0. The decrease is attributable to the 75 basis points decrease in the discount rate, and continued declining asset performance. Of this amount, approximately 31% or \$1,731,350 was assigned to electric distribution based on total labor.

**Amount of Adjustment:** Increase of \$1,731,350

**Adjustment #5:                      Payroll Wage Increase Adjustment**

**Description of Adjustment:** CILCO has entered into a contract with the International Brotherhood of Electrical Workers (IBEW) that provides for 3% base wage increases on July 1, 2000, and July 1, 2001. Based on recent history, it is anticipated that when a new contract is completed for the period beginning in July 2002 that the IBEW increase will be approximately 3%. CILCO's 2000 labor expenses associated with distribution services should be adjusted to reflect these increases.

**Amount of Adjustment:** One half of the July 2000 union increase and all of the 2001 and 2002 increases are not reflected in actual 2000 results. On a compounded basis, this would increase union wages by 7.66% from 2000 levels, on an annualized basis. Thus, CILCO's 2000 labor costs charged to electric distribution of \$9,075,063 (see Schedule C-8) should be increased by 7.66% or \$695,150.

**Adjustment #6                      IBEW VERP Reduction**

**Description of Adjustment:** CILCO offered the IBEW union, representing the electric and gas distribution union employees, a Voluntary Early Retirement Program (VERP), effective Jan. 1, 2001. This one-time expense should not be included in the normal costs of operations in the 2000 test year, and thus is deducted.

Amount of Adjustment: The total cost of the IBEW VERP recorded in 2000 was \$4,093,000. Of this amount, approximately 31% or \$1,268,830 was assigned to electric distribution based on total labor.

Adjustment #7: Stock Options

Description of Adjustment: Under AES principles, base pay raises for non-union employees have been replaced by a combination of cash and stock bonuses. The 2000 expenses include the cash portion of the bonus paid, but the options granted at approximately 4% of base salary are not reflected in the expenses. The total non-union regular payroll of \$23,730,135 per Schedule C-8.4 multiplied by 4% gives a total value of \$949,200 of which 31% or \$294,250 is related to electric distribution based on total labor.

Amount of adjustment: \$294,250.

Adjustment #8 Supplier Services Group

Description of Adjustment: The proposed regulations requiring functional separation (Dockets 98-0147 & 98-0148) will necessitate CILCO to establish a Supplier Services Group. This group will be composed of 6 people currently working in the account management area. Members of this team will serve as the first point of contact for RES entities and as a communications conduit between such providers – including CILCO’s own Generation Services employees – and CILCO’s Transmission & Distribution operations. They will provide equal access to information about CILCO’s retail customers and CILCO’s transmission and distribution system, and will assess fees for such information impartially. As the communications “filter” between CILCO’s Generation Services employees and the company’s Transmission & Distribution Services employees, team members will make sure that Generation Services employees do not receive unauthorized information.

Amount of adjustment: \$500,000

**Adjustment #9:** Compliance Costs associated with the Implementation of Residential Delivery Services

**Description of Adjustment:** New regulations require the upgrading of CILCO's customer information system to accommodate residential deregulation, unbundling, and single bill option. The costs associated with this project are \$520,000 that we are proposing to spread over 3 years @ \$173,300 per year. The additional costs of compliance could be as high as an additional \$1 million if a large number of customers switched to the unbundled rates. The additional \$1 million is not included in the proforma adjustments.

**Amount of adjustment:** \$173,300

**Adjustment #10:** Depreciation of new Electric Distribution Plant

**Description of Adjustment:** The proforma increases to electric distribution plant, excluding the \$11,796,467 of CWIP in rate base, total \$29,816,220. The current electric distribution annual depreciation rate at CILCO is 3.67%. Annual electric distribution depreciation expense will increase \$1,094,260 ( $\$29,816,220 \times .0367$ ) as a result of these property additions.

**Amount of adjustment:** \$1,094,260

**Adjustment #1** Amortization of Electric Distribution Information Technology Projects

**Description of Adjustment:** The proforma increases to electric distribution plant due to information technology projects total \$1,423,800 (see Schedule B2.1). CILCO's policy for intangible software is to amortize the costs over 5 years. Annual electric distribution amortization expense will increase \$284,760 ( $\$1,423,800 / 5$ ) as a result of these property additions.

**Amount of adjustment:** \$284,760



Adjustment #12:                      Black Start Service

Description of Adjustment:      The distribution company is responsible for a reliable electric system and must ensure the system has black start capability. A revenue requirement for this service has been calculated and included in the Company's filing. These costs are intended to compensate the generating entity providing that service and to ensure that the service will continue to be provided in the future

Amount of Adjustment:            \$79,720.